ESSENTIALS OF ECONOMETRICS, 3d edition
CORRECTIONS

NOTE: *The data disk and the Solutions Manual reflect the corrections noted below*.

PAGE #	CORRECTION
21	Drop I from the title Review of Statistics I
28	Footnote #2: Degrees of belief
46	Question 2.4 (b) (ii) $E_3 + A_3$ instead of $E_2 + A_3$
49	Problem 2.19 (*a*) $P(y < 0.5)$ instead of $P(Y < 5)$
70	Table 3-3. Sample var (*Y*) should be 368,871 instead of 368,872
76	Problem 3.l3 (*e*) Add ? after the word variable
102	Problem 4.25: Hint: In the definition of variance of $\bar{X}$, all the x terms should be capital letters.
135	Table 6-1: In the last row the last but one mean value should be 33.00 instead of 33.0.
149	The last column should be $\sum e_i X_i$ instead of $\sum e_i x_i$.
152	Eq. 6.24 should read as: $\hat{Y}_t = -15.5784 + 2606.4240(1/X_t)$
152	Eq. 6.25 should read as: $\hat{Y}_t = 902.1917 - 69.3493X_t$
153	Table 6-6: The time period is 1988-2003 not 1994-2003.
154	Eq. (6.26) should read as: $\hat{Y}_t = 393.0586 - 23.3766X_t$
162	Table 6-11: In the column % Employed, the entry for Wharton is 73.7 instead of 73.3 and the entry for University of California at Irvine is 46.4 instead of 61.5.
173	The standard error of the intercept term is 3.0523 and not 3.0532.
201	Question 7.3(*i*) $\sum y_i^2$ instead of $\sum y_2^2$.
206	Problem 7.17 *t* = time instead of times.
207	Table 7-6: The source for Table *B*-27 is p. 339 instead of p. 333.
215	Equation (8.21) in the numerator the first term should read as $\sum y_t x_{2t}$ instead of $\sum y_{2t} x_{2t}$.
236	Eq. (8.62) it is $CLFPR_t$ instead of $CLPR_t$.
239	Last column it is two-tail instead of two-sided.
257	The 1969 entry for final demand is 83.8 instead of 83.3.
260	It is ln(*USpop*) instead of ln(Uspop).
273	Notes to Table 9-9. All deaths are per 100,000 persons and not per thousand population.
275	Equation (9.39) should read as: $\hat{Y}_t = -0.3960(X_t - 3)$ $t = (-8.7413)$

Equation (9.40) should read as: $\hat{Y}_t = 0.0574 - 0.3986(X_t - 3)$

$$t = (0.5828)\ (-8.6538) \qquad r^2 = 0.7350$$

284 Table 9.14:It is *M2* instead of M_2.

299 Sec. 10.3, second paragraph it is 1985 instead of 1951.

300 In the title of Table 10-4, it is 1985 and not 1951.

300 D_2 and D_3 numbers for DE (Delaware) should be 0 and 1, respectively.

301 Equation (10.16): The coefficient for D_{2i} is -1734.473, the t value for the intercept is 23.179, and the p value for D_{3i} is 0.0344.

306 Drop the second COMM and after the equal sign it should read 0 otherwise instead of 0 if otherwise.

309 In the footnote it should read Sample 1-12 instead of Sample 112.

310 Table 10-7 title: It is United not Unites

312 Example 10.5: Second paragraph, second line: It is billions of 1982 dollars and not billions 1992 dollars.

312 Second paragraph below Example 10.5. In the second line drop the words: *and durable goods expenditure (billions of 1992 dollars)*

315 Section 10.7. Second paragraph. It should be European Union and not European Community.

319 In the table NMFI stands for Neighborhood mean family income (10^5 dollars)

319 In the footnotes to the table, it is NNWP and not NNWPP.

325 Problem 10.10 (*d*): At the end of the first sentence, replace ? by period.

328 Problem 10.19 (*d*): In the last sentence replace the period by ?

331 Problem 10.25, part *c* should read: If you do not expect the dummy variables to be statistically significant, but you still include them in your model, what are the consequences of your action?

352 Step 5 should read: $Z_{2i} = \text{antilog}(\ln \hat{Y} - \hat{Y}_i)$

353 Replace Table 11-4 by the following table:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-23.53526	5.659661	-4.158422	0.0007
LOG(X)	3.870438	0.769725	5.028340	0.0001
TIME	-0.050604	0.020857	-2.426265	0.0274
Z_2	7.95E+49	9.91E+49	0.802574	0.4340
R-squared	0.968905	F-statistic		166.1834

Notes: Dependent variable: LOG(Y)

The Z_2 coefficient and its standard error are shown in scientific notation.

358 Table 11-6: Notes: X_2 = Labor input, thousands of persons.

358 Table 11-6: Source: It is Table VII and not Table II.

359 Problem 11.11 (*b*): $\ln Y_t = C_1 + C_2 \ln X_{2t} + v_t$

359 Table 11-7: In the title of the table the time period is 1954-1981 and not 1954-1967.

360 Table 11-8: In the title of the table the time period is 1960-1982

and not 1960-1971.

360 Part (a): Model C: It is $C_4 \ln X_{3(t-1)}$ *and not* $C_4 \ln X_{(3t-1)}$.

361 Problem 11.19: It should be Rubén Hernández-Murillo

362 Part (d) : Second line, drop or before smaller student/teacher ratio.

369 Section 12.4 (**1**): Large variances and standard errors

382 In the paragraph below equation (12.19) it is Table 12-4 and not Table 12-5.

386 Question 12.5: The sentence should end with a period rather than a question mark.

395 Replace Equation (13.3) by the following equation:

$$\hat{\text{R\&D}}_i = 266.1917 + 0.0309\,\text{Sales}_i$$
$$\text{se} = (1002.961) \quad (0.00834)$$
$$t = \quad (0.2654) \qquad (3.6996) \qquad\qquad r^2 = 0.4610$$

395 Replace the equation in Figure 13-3 by the corrected equation (13.3).

396 The corrected Figure 13-4 is shown at the end.

402 There should be only 18 data points in Figure 13-7.The corrected figure is shown at the end.

402 Second paragraph below Figure 13-7. This figure resembles Figure 13-6(b).

403 Replace Equation (13.6) by the following equation:

$$\ln e_i^2 = 3.4118 \ + \ 0.9377 \ln \text{Sales}_i$$
$$\text{se} = (4.9725) \quad (0.4520)$$
$$t = \quad (0.6861) \quad (2.0745) \qquad\qquad r^2 = 0.2120$$

403 The sentence below Equation (13.6) should read:
The estimated slope coefficient is barely significant at the 5% level, if we choose a 5% level of significance.

404 Replace Equations (13.10), (13.11), and (13.12) by the following] equations:

$$|e_i| = 573.4053 + 0.0124\,\text{Sales}_i \qquad (13.10)$$
$$t = (0.8511) \quad (2.2127) \qquad\qquad r^2 = 0.2343$$

$$|e_i| = -522.8336 + 8.1747\sqrt{\text{Sales}_i} \qquad (13.11)$$
$$t = (-0.5209) \quad (2.4483) \qquad\qquad r^2 = 0.2725$$

$$|e_i| = 2315.6584 - 19862635.21\left(\frac{1}{\text{Sales}_i}\right) \qquad (13.12)$$
$$t = (3.7871) \quad (-1.5946) \qquad\qquad r^2 = 0.1371$$

404 The sentence below Equation (13.12) should read:
On the basis of the Glejser test, we see that models (13.10) and (13.11) lead to the rejection of the null hypothesis of no heteroscedasticity, whereas (13.12) does not.

406 Equation (13.16) should read as follows:

$$\hat{Y}_i = 196.9790 - 0.0033 X_{2i} - 1.4013 X_{3i}$$

se = (21.7282) (0.0010) (0.2466)

t = (9.0656) (–3.2249) (–5.6815) $R^2 = 0.8024$

$\bar{R}^2 = 0.7792$

The p values shown in the text are correct.

413 Replace Equation (13.30) by the following equation:

$$\ln \widehat{\text{R\&D}}_i = -7.2822 + 1.3144 \ln \text{Sales}_i$$

se = (1.8615) (0.1692)

t = (–3.9120) (7.7674) $r^2 = 0.7904$

423 Table 13-4: The column of Average productivity: The last figure should be 11,754 instead of 11,750.

424 Problem 13.19: The R^2 value should be 0.23 instead of 0.30.

445 Table 14-4. The ρ shown in the title of the table is 0.8713 and not 8713.

494 Table 16-2. In the title it is Macroeconomic not macroeconomics.

495 In the footnote to the table it is dividend not dividends.

501 In the last sentence before Sec. 16.6 it is lookout and not look out.

512 In the table the last number in the first row should be 0.120.

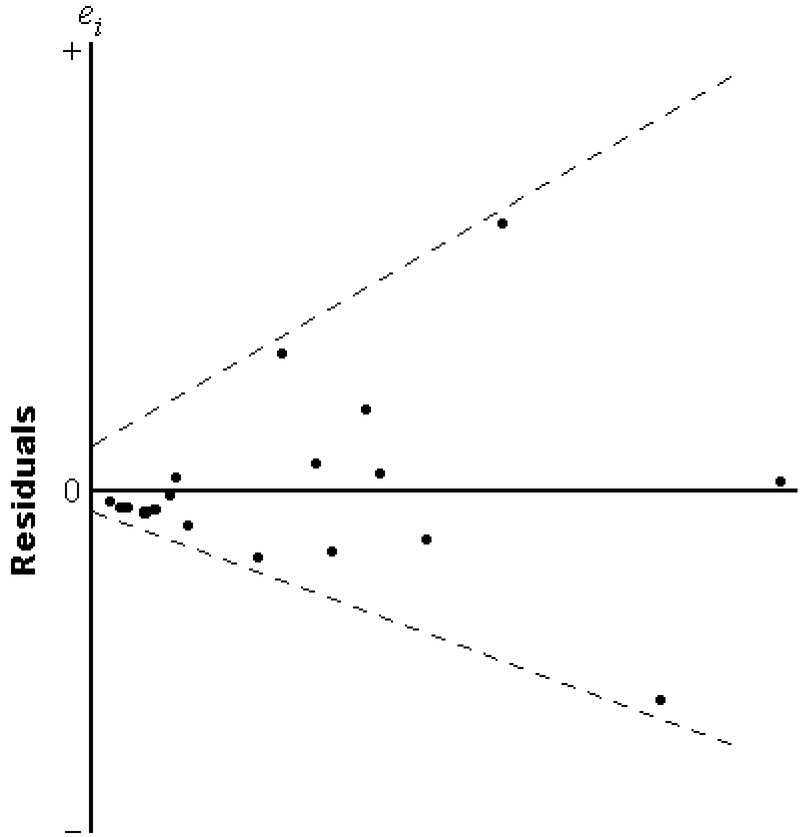

Figure 13-4

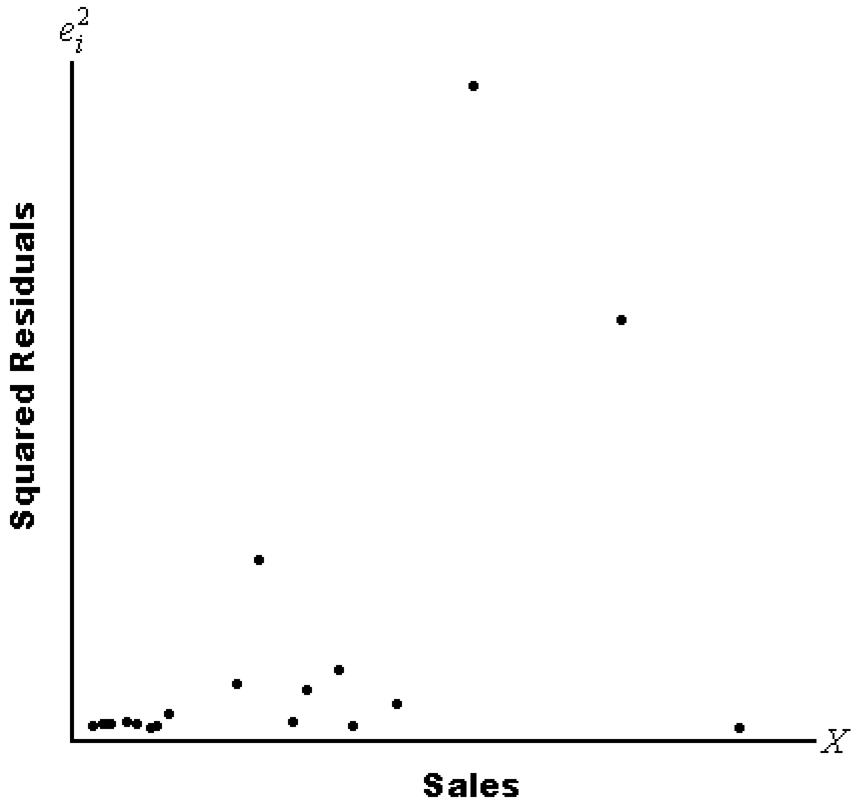

Figure 13-7.